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R 060800Z OCT 08  
FM AMEMBASSY MONROVIA  
TO RUEHC/SECSTATE WASHDC 0412  
INFO RUEHZK/ECOWAS COLLECTIVE

UNCLAS SECTION 01 OF 05 MONROVIA 000772

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E.O. 12958: DECL: N/A  
TAGS: [ECON](#) [ETRD](#) [LI](#)  
SUBJECT: LIBERIA: AGOA ELIGIBILITY REVIEW 2009

REF: STATE 85086

11. (U) COUNTRY BACKGROUND SUMMARY: Liberia has a government that was democratically elected in multi-party elections in October/November 12005. The government has moved to exert its authority throughout the country but security still depends on the 12,000-strong UNMIL deployment. The first 2,000 soldiers in the new Armed Forces of Liberia have completed initial entry training, over 3,500 new Liberia National Police have been trained and an armed Emergency Response Unit is being trained and activated. Economic activity, marked by an increase in investment, is increasing.

12. (U) The IMF estimates that the economy grew by 9.5% in 2007 and strong growth is expected to continue in 2008. The inflation rate in 2007 was 11.4%. The Government of Liberia (GOL) budget for the 2008-2009 fiscal year (ending June 30, 2009) reached \$298 million, 20% higher than the final budget the previous year, and over 60% higher than the initial 2007-08 budget. Despite Liberia's rich natural resources and potential for self-sufficiency in food production, the country's productive capacity remains depressed by high unemployment, low literacy, poor health, corruption, and the absence of basic infrastructure. Only about 15% of the workforce is employed in the formal sector. Illiteracy is estimated to be over 50%. Sustained economic growth is also hindered by the inadequate roads, water, sewage and electrical services.

13. (U) The government launched Liberia's three-year Poverty Reduction Strategy (PRS) in July 2008, and the first national Census since 1984 was completed in March 2008. The GOL continues to support the Governance and Economic Management Assistance Program (GEMAP) and an IMF Staff Monitored Program. END SUMMARY.

#### 1I. Market-Based Economy

#### 14. (U) Major Strengths Identified

- Liberia remains open to foreign investment, attracting over \$97 million in new investment in 2007.
- Registering a business in Liberia is relatively simple. The GOL announced 21 reforms to the business climate in May, with a focus on Starting a Business, Trading Across Borders and Dealing with Construction Permits. Those changes improved Liberia's ranking in the IFC "Doing Business" index from 170 of 178 in 2007 to 157 of 181 countries in 2008.
- The GOL hosted an inter-agency AGOA workshop in March.
- Liberia cleared its arrears to the World Bank, IMF, and African Development Bank (approximately \$1.6 billion), and reached HIPC Decision Point in March, 2008.
- Reform of the budget process continues. The government submitted the budget to the legislature in a more timely manner in 2008 and continues to publish detailed copies of the final budget and quarterly fiscal outturns. The 2008-09 budget of \$298 million is over 60% higher than the initial 2007-08 budget.
- Civil service salaries were increased 27% for FY2008-09, to \$70 a month for the lowest level of basic pay.
- U.S. Treasury advisors are working with the Ministry of Finance

to improve tax administration and finalize the GOL's \$900 million Domestic Debt Resolution Strategy.

- The Kimberly Process regulating diamond exports is becoming more robust.
- The Liberia Extractive Industries Transparency Initiative (LEITI) is off to an impressive start. The membership of the steering group includes the GOL, civil society groups, private sector, and development partners.
- The GOL has established a "Chain of Custody" system to ensure traceability of logs and guarantee that the GOL collects appropriate fees for timber harvested.
- The Central Bank of Liberia issued licenses to three new foreign-owned banks in 2008.
- Liberia has enacted laws on intellectual and industrial property and copyright, and there is indigenous support for protection of intellectual property rights in the press and by organizations of intellectual property producers.

#### 15. (SBU) Major Problems/Issues Identified

- Liberia's economy remains less competitive because of the high cost of operating in Liberia owing to the need for private security services and the lack of basic infrastructure such as the road networks, electricity, and water/sewage systems needed to spur economic growth. The costs of rebuilding the damaged infrastructure are enormous. The economy is heavily dependent on the infusion of funds made available by international donors, the presence of UNMIL (the second largest UN force in the world), and International NGOs. Foreign assistance still exceeds the national budget.
- Ongoing economic reforms are squeezing entrenched interests, possibly leading to stronger resistance to further reform.
- Delays in initiating commercial export of timber will have a

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negative impact on the budget.

- Concerns about possible corruption provoked GOL annulment of a mining tender that increased the uncertainty of the investment climate and further threatens the budget balance.
- The continued dominance of the import and wholesale/retail economy by Lebanese and Asian businesspeople continues to breed resentment. The Ministry of Commerce favors policies protecting Liberian ownership of some sectors of the economy.
- Laws preventing foreign ownership of land and acquisition of citizenship remain on the books. These laws have discouraged long-term investment by foreign-owned/operated businesses.
- Modernization in the sectors reserved for Liberians has been hampered by lack of capital and technical expertise.
- Liberian nationality laws restrict citizenship (and land ownership) to those of Negro descent.
- Despite having enacted laws on intellectual and industrial property and copyright, the government has failed to enforce these laws. There is wide-spread sale of pirated CDs, counterfeit drugs, and knock-off electronic products.
- Persistent corruption and a culture of patronage inhibit open and transparent concession and procurement processes. The Public Procurement and Concessions Commission, created in 2006, has yet to develop the capacity and political will to offset fully these influences. Efforts to reform the procurement process at government ministries and agencies have slowed government expenditure and continue to falter due to lack of institutional capacity.

#### II. Rule of Law/Political Pluralism/Anti-Corruption

#### 16. (U) Major Strengths Identified

- Liberia has a democratically-elected government resulting from free and fair elections in 2005. There were six successful legislative by-elections since 2006.
- Both the legislative and judicial branches have demonstrated they are independent institutions, and relations among the three branches of government are becoming more effective.
- The GOL improved sharply on the World Bank Institute index for Control of Corruption.
- The Government launched the Anti-Corruption Commission in September 2008, which will be responsible for investigating and

prosecuting graft and bribery at all levels.

-- The General Accounting Commission has initiated audits of 18 GOL ministries and agencies, and completed five of them.

-- A Civil Service Reform Strategy was launched in September.

-- The civil service has been trimmed by nearly 5,000 positions (many of them "ghost" employees) in the past year and the streamlining will continue as the government launches a biometric payroll system as part of its civil service reform strategy.

-- The Ministry of Finance (MOF) has slashed processing time for vouchers and other payments and used a Cash Management Committee to exert better control of expenditures.

-- The GOL has moved to increase transparency and accountability in procurement and concessions. Several contracts for investment in iron ore mining, rubber and oil exploration have been reviewed and revised to be more equitable.

-- The legislature holds open public hearings on the most contentious issues.

-- Political parties operate openly and without restriction, and participate fully in the political process.

-- UNMIL continues to provide stability. Security sector reform is progressing well. The Liberia National Police (LNP) and Special Security Service (SSS) have been trained and reorganized. Over 2,000 members of the new Armed Forces of Liberia (AFL) have been trained.

-- The government is collaborating with UNMIL, the U.S. and other stakeholders in rule of law reform.

-- The President remains committed to the corruption-fighting Governance and Economic Management Assistance Program (GEMAP).

Liberia has ratified the UN and African Union conventions on corruption.

-- The independent press is flourishing with multiple newspapers and radio stations. The press, NGOs and opposition parties have freely criticized the current government with minimal harassment.

-- There has been improvement in health, security and administration in the corrections system.

-- Ongoing work of Liberia's Truth and Reconciliation Commission has allowed some people, especially those in rural areas, to move past the 14 years of conflict they experienced. It has also encouraged ordinary citizens to take part in civil society groups in order to help their communities recover from the war.

#### 17. (SBU) Major Problems/Issues Identified

-- Although legislature holds open sessions and voting results are made public, many issues are still decided only in closed "executive" sessions.

-- The Legislative and Judicial branches lag behind the Executive in

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capacity and commitment to reform.

-- Although the General Audit Commission has completed five audits, the President has not forwarded them to the Legislature, so the results are not public.

-- UNMIL's mandate does not include executive policing authority. The LNP's capacity and motivation to deal effectively with crime is inadequate. The 3,500 police force is insufficient to cope with the demand for officers across the country.

-- Lack of confidence in the police and judicial system has sometimes resulted in mob violence, vigilantism, and trial by ordeal, especially in rural areas.

-- The shortage of police officers has placed a strain on the limited resources of the LNP. Members of the LNP and the judiciary have at times refused assignments to rural counties because of inadequate infrastructure and living conditions and difficulty receiving pay on a regular and timely basis.

-- Despite improvements, the judiciary and penal systems function poorly throughout most of the country. There continues to be a lack of coordination between the Judiciary and the Ministry of Justice on rule of law issues.

-- Corruption and uneven quality of judges remain problems. Some rural magistrates are barely functionally literate. There continue to be allegations of judicial officials overstepping their authority.

-- Lengthy pretrial detention and denial of due process were problems.

-- Traditional justice methods like trial by ordeal remain common in

many places.

-- Despite the civil service salary increases, the commitment to fight corruption is undermined by the low and irregular salaries and the low rate of formal employment.

-- Although several officials have been dismissed for corruption, they have yet to be prosecuted.

-- The Executive branch relies heavily on the court system in addressing issues of corruption. Many ministries either lack administrative measures to address corruption or fail to act.

-- Regulatory actions, especially in the telecommunications sector, are done without effective consultation with industry.

-- Former soldiers (who served under previous governments) have held demonstrations to express dissatisfaction with the government's handling of the dismantling of the former Armed Forces of Liberia.

-- The GOL, although responsive to foreign partners' calls for transparency and accountability in government, continues to struggle with building and maintaining the political will needed to root out systemic corruption.

-- The Legislature has failed to enact legislation to freeze assets of those on the UN sanctions list on constitutional grounds. However, the President has since reiterated her government's commitment to enforce UN Security Council sanctions, including the asset freeze directed against loyalists of the former president.

-- Low levels of capacity and professionalism in the press have undermined press effectiveness. Journalists are poorly paid and revert to gift-taking, which weakens their objectivity. It is common practice to pay to have stories published.

-- The Legislature has not yet ratified the Code of Conduct for Liberian Public Servants or the Freedom of Information Act.

### III. Poverty Reduction

#### 18. (U) Major Strengths Identified

-- The GOL launched a three-year Poverty Reduction Strategy that focuses on security, economic revitalization, rule of law/economic governance and infrastructure and basic social services.

-- The March census provided updated information that underpins implementation of the PRS and confirms Liberia's population at 3.4 million people.

-- The ongoing effort to clear Liberia's arrears to the International Financial Institutions and eventually provide Liberia with Heavily Indebted Poor Country and Multilateral Debt Relief Initiative debt relief will make Liberia eligible for additional development assistance and allow the government to increase spending on poverty reduction.

-- The GOL enacted legislation that underpins progress towards HIPC completion point, including bills that limit transfer of funds between budget lines and merge the Bureau of the Budget into the Ministry of Finance.

-- The Ministry of Education receives the largest budget allocation (almost 10%), and the Ministry of Health and Social Welfare received 7.3% of the total. Net primary enrollment was 38% in 2007.

-- Budgetary expenditure for health increased by 28% in FY2006-07, and for education by 44%. The President's budget message notes a 39% increase in spending on ministries and agencies involved in poverty reduction.

-- The GOL has been proactive in tackling the food security crisis while moving towards a more market-oriented economy. (Note: 60% of Liberians live below the poverty line.)

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-- In May, the GOL suspended the \$2 a bag tariff on rice imports and the President started encouraging Liberians to grow more of their own food.

-- In August, the GOL raised the price ceiling on rice, while lowering the ceiling for petroleum products. This was accompanied by waiving taxes for low-income earners.

-- Support by international partners remains strong, with foreign assistance of \$236 million in 2005. (Note: 2006 figures are not yet available. End note.) Political stability continues to provide a foundation for economic growth.

-- The removal of UN sanctions on timber and diamonds allows for some resumption of legal exports in 2008. Resumption of activity

in these sectors would provide both employment and some GOL revenue.

-- Investment in the iron ore sector, which has been dormant for the last 20 years, is expected to add much-needed employment outside Monrovia.

-- Improvements in basic infrastructure, including farm-to-market roads, should spur agricultural production and increase rural incomes. The Ministry of Agriculture has been instrumental in trying to rebuild the agricultural capacity by providing tools and seeds.

-- Donor-supported projects have been initiated to revitalize the tree crop sector, especially smallholder cocoa, oil palm and rubber production.

-- Liberia's HIV/AIDS rate is under 2%, and the GOL is conducting prevention campaigns.

-- Employees who earn the minimum salary of \$70 are exempt from taxes.

-- Donor-supported projects have been pledged to support an increase in staple crop production, especially rice, in response to the dramatic rise in global commodity prices.

-- On grid electricity in Monrovia is anticipated to increase nearly five-fold before year's end due the addition of seven megawatts from generators funded by the Government of Norway and installed with the assistance of the USG.

-- Liberia's first national policy on energy was prepared and validated by a series of public workshops.

#### 19. (SBU) Major Problems/Issues Identified

-- Poverty remains pervasive. Basic services, including roads and access to electricity and safe water, are not available to most of the population.

-- Land tenure remains a volatile issue manifesting in sporadic yet violent clashes. Unresolved, land disputes could jeopardize economic growth projections, especially anticipated revenue from forestry concessions, and limit potential growth in agriculture.

-- Liberian enterprise development is hampered not only by poor access to capital but also a lack in business development services. Fledgling small and medium scales enterprises compete among themselves rather than cooperate to improve the competitive stance of their respective value chains.

-- The high level of illiteracy reduces employment options.

-- From a pre-war (circa 1980) national budget in excess of \$500 million, the government operates with a Liberian FY2008-09 budget of \$298 million, limiting its ability to spend adequately on key sectors like health, education and housing.

-- Liberia is unlikely to meet the Millennium Development Goals. For example, maternal mortality remains high, at 994 per 100,000 live births in 2007.

#### IV. Workers' Rights/Child Labor/Human Rights

#### 10. (U) Major Strengths Identified

-- The GOL constituted a Tripartite Commission (government, business, labor) in 2008 to focus on labor reforms.

-- Management and workers agreed to a collective bargaining agreement at Liberia's largest private employer, Firestone Liberia.

-- Liberia has repealed People's Redemption Council's Decree Number 12, which prohibited strikes and other workers' actions.

-- The labor code was revised in September 2007 to limit firing of employees without cause ("Section 1508").

-- The Liberian Constitution prohibits slavery and forced labor, debt bondage or peonage, including by children.

-- In 2002, Liberia ratified ILO Convention 182 on the Worst Forms of Child Labor.

-- In 2005, Liberia passed anti-rape and anti-trafficking in persons legislation. More attention has been focused on dealing firmly with rape offenders.

-- The Truth and Reconciliation Commission has collected more than 18,000 statements from Liberia and the Diaspora and has held almost 700 witness hearings. It has provided psychosocial counseling to war victims, empowered women's groups to stand up against gender-based violence, and held reconciliation and memorial



ceremonies at the massacre sites throughout the country.  
-- Refugees and internally displaced persons are returning to their places of origin. All IDP camps have been closed.  
-- The UNMIL Civilian Police are a significant stabilizing and watchdog force for human rights, as well as a force to assist and train the Liberia National Police.  
-- The government has declared that primary education will be free and that all children should attend school.

¶11. (SBU) Major Problems/Issues Identified

-- Although Liberia ratified the ILO Convention 182, it lacks the capacity to fully enforce labor laws.  
-- Union power is generally weak and the law does not prohibit anti-union discrimination.  
-- Liberia has not yet ratified ILO Convention 138 on minimum age.  
-- Child labor is a problem. There were reports that children were tapping rubber at smaller rubber plantations and private farms, children were forced to work in hazardous conditions in other industries and children were forced by their guardians to sell items in the street.  
-- Despite GOL efforts to stem the practice, some incidences of trial-by-ordeal were reported.  
-- Violence and discrimination against women, especially rape and female genital mutilation, remain problems.  
-- Child abuse, trafficking in persons, and racial and ethnic discrimination were problems.  
-- Costs relating to education (books and uniforms) remain prohibitive for many children.

¶V. International Terrorists/U.S. National Security  
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¶12. (SBU) Major Strengths Identified

-- Liberia is not a sponsor of international terrorism.  
-- In the UN, Liberia voted with the United States on 55.6% important votes and on 80% of important consensus resolutions.  
-- The National Legislature on September 11, 2006 passed a joint resolution offering Liberia's land, air space and territorial waters, as well as any other assets which lie within its domain in its fight against global terrorism.  
-- The GOL has publicly announced its willingness to host AFRICOM.

¶13. (SBU) Major Problems/Issues Identified

-- The government lacks effective control over its territory and borders.  
-- Weak law enforcement provides opportunities for diamond and illicit drug smuggling and money laundering and cause loss of revenue from fishing and other activities.

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